

Message Text

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ORIGIN EB-08

INFO OCT-01 EA-07 ISO-00 STR-04 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 ITC-01
TRSE-00 PRS-01 SP-02 OMB-01 XMB-02 SSO-00 USIE-00
NSCE-00 INRE-00 OIC-02 /080 R

DRAFTED BY STR:DHEIMLICH:EB/OT/STA:JSPIRO:LPP
APPROVED BY EB/OT/STA:JSPIRO
STR:AWOLFF
EB/OT:WGBARRACLOUGH
EA/ROC:HENGLEBRECHT

-----050141Z 033852 /20

O P 050107Z MAR 77
FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI IMMEDIATE
INFO AMEMBASSY SEOUL PRIORITY

C O N F I D E N T I A L STATE 049201

ATTENTION ECON COUNSELOR MR. KYLE

E.O. 11652: GDS

TAGS: ETRD, TW

SUBJECT: ESCAPE CLAUSE CASE ON CANNED MUSHROOMS

1. A MAJOR CONCERN OF WASHINGTON AGENCIES IN FORMULATING
RECOMMENDATIONS TO THE PRESIDENT IN THE ESCAPE CLAUSE
CASE ON CANNED MUSHROOMS WAS THE POTENTIAL OF TAIWAN AND
KOREA TO DISRUPT THE U.S. MARKET BY A RAPID SURGE IN
IMPORTS. SUCH A RAPID SURGE IN IMPORTS LAST SUMMER,
FOLLOWING THE ITC RECOMMENDATION OF ADJUSTMENT ASSISTANCE,
RESULTED IN THE CURRENT ESCAPE CLAUSE ACTION. IN
ADDITION TO MONTHLY SURGES WE WERE ALSO CONCERNED WITH
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RAPID YEARLY RISES IN IMPORTS. WE RECOGNIZED THAT A
RECOMMENDATION COULD NOT BE MADE TO THE PRESIDENT OPPOSING
THE ITC'S IMPORT RESTRAINT REMEDY UNLESS WE HAD REASON
TO BELIEVE THAT TAIWAN AND KOREA WOULD NOT SHIP IN
QUANTITIES THAT WOULD DISRUPT THE U.S. MARKET.

2. STR MET WITH THE EMBASSIES OF TAIWAN AND KOREA ON
FEBRUARY 23. WHILE POINTING OUT THAT NO DECISION HAD
BEEN MADE, WE IMPLIED THAT IF THE EXECUTIVE AGENCIES
RECOMMENDED AGAINST IMPORT RELIEF WE HOPED THAT THEIR

EXPORTS WOULD NOT DISRUPT THE U.S.MARKET INTHE FUTURE.
WE SAID THAT WE WOULD SEEK CONSULTATIONS WITH THEM WERE
SUCH DISRUPTIONS TO OCCUR. WE ALSO TOLD THEM THAT IF THE

PRESIDENT DECIDED AGAINST IMPORT RESTRAINTS, IMPORTS
WOULD STILL BE CLOSELY MONITORED.

3. ON FEBRUARY 28, STR MET AGAIN WITH THE REPRESENTA-
TIVE OF THE KOREAN EMBASSY. AS EXPECTED, THE KOREANS
SAID THEY PERFECTLY UNDERSTOOD THE SITUATION. THEIR
PLANNED EXPORTS TO THE U.S. FOR THE 1977-78 CROP YEAR
WOULD BE 20 MIL. LBS. WHICH WOULD BE SPACED OUT BY
QUARTER. THEY WERE SENSITIVE TO THE PROBLEM OF
DISRUPTION AND INDICATED THAT IF ANY SUCH PROBLEM AROSE,
THEY WOULD CONSULT. THE KOREANS ALSO INDICATED THAT
THERE WERE NO PLANS FOR EXPANSION OF MUSHROOM CAPACITY
AND IF PLANS WERE DEVELOPED, ROK WOULD RESTRICT ANY
EXPANSION. EFFORTS ALSO ARE BEING MADE TO DIVERSIFY
EXPORT MARKETS.

4. MUCH TO OUR SURPRISE AND CHAGRIN, MR. HU, OF THE
CHINESE EMBASSY, SAID THAT TAIWAN PLANNED TO EXPORT TO
THE U.S. 50.4 MILLION POUNDS IN 1977 AND 31.4 MILLION
IN THE JUNE-DECEMBER 1977 PERIOD AFTER THE EXISTING
UNDERSTANDING EXPIRES. HU WAS TOLD THAT WE WERE NOT IN
A NEGOTIATION, THAT WE WERE NOT BARGAINING OVER NUMBERS,
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BUT THAT WE WERE CONCERNED ABOUT DISRUPTION. HU WAS
NOT REPEAT NOT TOLD THAT WE EXPECTED EXPORTS IN CROP
YEAR 1977-78 TO REMAIN AT THE PREVIOUS YEAR'S LEVEL.
HU APPARENTLY SUGGESTED THAT LEVEL IN HIS REPORT TO
TAIPEI, BASED ON WHAT HE LEARNED IN HIS DISCUSSION AT
STR ABOUT WHAT THE KOREANS HAVE OFFERED TO DO. HOWEVER,
HE WAS TOLD THAT THE INCREASE THE TAIWANESE WERE PLANNING
ON CLEARLY APPEARED DISRUPTIVE, PARTICULARLY GIVEN THAT
THE USITC HAD ALREADY FOUND THAT INCREASED IMPORTS HAVE
INJURED THE DOMESTIC INDUSTRY.

5. TO PROVIDE PERSPECTIVE ON THE SERIOUS IMPLICATIONS
OF THE ROC EXPORT PROJECTION, THE FOLLOWING DATA CLEARLY
SHOW HOW ABRUPT SUCHAN INCREASE WOULD BE:

U.S. MUSHROOM IMPORTS (TSUS 144.20) FOR CONSUMPTION
(MIL. LBS. DRAINED WT.)

-----FROM TAIWAN-----FROM KOREA

| | | |
|------------|-----------|------|
| CY 72----- | 36.4----- | 9.9 |
| CY 73----- | 31.1----- | 14.0 |
| CY74----- | 30.0----- | 7.8 |
| CY 75----- | 35.0----- | 14.0 |

MY 75/76-----36.1-----18.0

-----FROM TAIWAN-----FROM KOREA

CY 76-----40.2-----23.1

MY 76/77(ASTERISK)-----41.7-----18.5

CY 77 (TWO ASTERISKS)-----52.4-----19.4

MY 77/78(TWO ASTERISKS)-----NA-----20.0

MY - MARKETING YEAR (JULY 1 - JUNE 30) CY - CALENDAR YEAR

ASTERISK - BASED ON UNDERSTANDINGS REACHED LAST SEPT
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TWO ASTERISKS - ESTIMATED BASED ON PROJECTION RECEIVED
FROM ROK AND ROC

AS CAN BE SEEN, TAIWAN'S CY 1977 EXPORTS WOULD BE 30 PERCENT ABOVE CY 1976. (NOTE: ESTIMATE OF 52.4 MILLION POUNDS INCLUDES FROZEN AND STRAW MUSHROOMS WHICH ARE NOT IN ROC ESTIMATE). WHILE OUR U.S. CONSUMPTION FORECASTS ARE VERY IFFY, A MAXIMUM INCREASE OF 5-10 PERCENT IS PROBABLY REASONABLE TO EXPECT FOR CY 1977. TAIWAN'S INCREASE APPEARS QUITE DISRUPTIVE IN THAT CONTEXT, PARTICULARLY IN VIEW OF THE FACT THAT THE KOREANS WILL SHIP SUBSTANTIALLY LESS IN 1977 THAN IN 1976.

6. THIS LARGE INCREASE IS PARTICULARLY DISTURBING IN LIGHT OF THE MISUNDERSTANDING THAT HAVE EMERGED REGARDING LAST SEPTEMBER'S DISCUSSIONS. SPECIFICALLY, ROC NOW CLAIMS THAT THEY UNDERSTOOD FROZEN STRAW, SEASONING MIXED, AND SALTED MUSHROOMS TO HAVE BEEN EXCLUDED FROM THEIR ESTIMATES WHILE THE USG UNDERSTANDING WAS THAT ALL MUSHROOMS COVERED BY TSUS ITEM 144.20 WERE COVERED. IN ADDITION, USG UNDERSTOOD THAT AT THE TIME OF THE DISCUSSIONS ONLY 300,000 POUNDS REMAINED TO BE SHIPPED DURING 1976 (COMPARED WITH 3.6 MILLION POUNDS THAT ARRIVED IN THE FOURTH QUARTER). ROC NOW SAYS IT MEANT THAT ONLY 300,000 POUNDS HAD NOT BEEN AUTHORIZED FOR SHIPMENT AT THE TIME OF YEUTTER'S DISCUSSIONS IN TAIPEI. AS A RESULT MY 76/77 IMPORTS FROM TAIWAN WILL BE SUBSTANTIALLY HIGHER THAN USG EXPECTED WHEN THE UNDERSTANDING WAS REACHED (I.E. BY ABOUT 6 MILLION POUNDS). IT APPEARS ALSO THAT TAIWAN WILL SHIP AT LEAST 1 MILLION POUNDS (MOSTLY STRAW MUSHROOMS) MORE THAN THE 19 MILLION POUNDS INDICATED FOR THE FIRST HALF OF 1977.

7. WE STILL WOULD PREFER TO AVOID FORMAL IMPORT RESTRAINTS, WHETHER UNILATERAL OR NEGOTIATED. OUR OBJECTIVE
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IS TO OBTAIN ASSURANCE FROM THE GROC SIMILAR TO THOSE PROVIDED BY KOREA. THESE ARE BASICALLY THAT THE GROC, BEING AWARE OF THE U.S. PROBLEM, WILL NOT DISRUPT THE U.S. MARKET BY LARGE YEAR TO YEAR INCREASES NOR SUDDEN SURGES AS OCCURRED LAST SUMMER. FURTHERMORE, WE WOULD WANT THE ADDITIONAL ASSURANCE THAT A) THEY WOULD LIVE UP TO THE CURRENT VRA UNTIL ITS EXPIRATION ON JUNE 30, 1977, THAT B) THEY WOULD BE PREPARED TO CONSULT WHERE PROBLEMS TO ARISE AND C) THAT THE MUSHROOM IMPORTS IN QUESTION WERE THOSE COVERED BY TSUS 144.20.

8. BELOW IS AN EXCHANGE OF LETTERS WHICH WE BELIEVE WOULD PROVIDE THE ASSURANCE WE ARE SEEKING. YOU ARE INSTRUCTED TO INFORM MR. Y.T. WONG OR ANOTHER APPROPRIATE OFFICIAL THAT A PRESIDENTIAL DECISION AGAINST IMPORT RESTRAINTS WOULD BE MORE LIKELY IF WE CAN OBTAIN THE ASSURANCES FROM THE GROC SPELLED OUT IN THE EXCHANGE OF LETTERS. WE OF COURSE CANNOT DETERMINE WHAT THE PRESIDENT WILL DECIDE. HOWEVER, IT IS OUR BELIEF THAT THE APPROACH WE HAVE TAKEN PROVIDES THE TAIWANESE WITH GREAT FLEXIBILITY AND AN OPPORTUNITY TO INCREASE THEIR IMPORTS AT SATISFACTORY, NON-DISRUPTIVE RATE WHICH IS CONSIDERABLY BETTER THAN OTHER ALTERNATIVES WE ARE FACING. GIVEN THE NEED TO ACT WITH URGENCY ON THIS MATTER WE ARE NOT IN A POSITION TO NEGOTIATE ANY SUBSTANTIAL CHANGES IN THE LETTER.

9. WE REGRET BRINGING THE EMBASSY INTO THIS ISSUE AT THIS LATE DATE BUT WE MUST HAVE A RESPONSE FROM THE GROC BY THE OPENING OF BUSINESS IN WASHINGTON ON MONDAY, MARCH 7.

10. DRAFT EXCHANGE OF LETTERS.

DEAR AMBASSADOR SHEN:

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THE PRESIDENT HAS DECIDED, ON THE GROUNDS OF NATIONAL ECONOMIC INTEREST, NOT TO GRANT IMPORT RELIEF TO THE DOMESTIC MUSHROOM INDUSTRY AS RECOMMENDED BY THE U.S. INTERNATIONAL TRADE COMMISSION (USITC). THE UNITED STATES GOVERNMENT IS, HOWEVER, SERIOUSLY CONCERNED ABOUT THE FUTURE OF THE CANNED MUSHROOM INDUSTRY AND WILL CONTINUE TO MONITOR IMPORTS OF MUSHROOMS ON A WEEKLY BASIS AND DOMESTIC MARKET CONDITIONS ON A QUARTERLY BASIS. THE PRESIDENT HAS DIRECTED ME TO CONVEY OUR STRONG CONCERN THAT INCREASES IN EXPORTS FROM TAIWAN NOT DISRUPT

THE U.S. CANNED MUSHROOM MARKET IN THE FUTURE.

YOUR MUSHROOM INDUSTRY WILL BENEFIT FROM THE FACT THAT THE U.S. GOVERNMENT HAS NOT TAKEN THE IMPORT RELIEF ACTION RECOMMENDED BY THE USITC BASED ON ITS FINDING THAT INCREASES IN MUSHROOM IMPORTS HAVE INJURED THE DOMESTIC INDUSTRY. THE U.S. GOVERNMENT BELIEVES THAT THE GOVERNMENT OF THE REPUBLIC OF CHINA SHOULD NOW MAKE ITS UTMOST EFFORTS TO PREVENT LARGE YEAR-TO-YEAR INCREASES OR SUDDEN SURGES OVER SHORT PERIODS OF MUSHROOM EXPORTS THAT WOULD DISRUPT THE U.S. MARKET. SUCH EFFORTS BY YOUR GOVERNMENT SHOULD APPLY TO ALL MUSHROOMS CLASSIFIABLE UNDER ITEM 144.20 OF THE TARIFF SCHEDULES OF THE UNITED STATES (TSUS). THIS TSUS ITEM COVERS IMPORTS OF ALL PRESERVED OR PREPARED MUSHROOMS (INCLUDING FROZEN AND STRAW MUSHROOMS) EXCEPT DRIED MUSHROOMS.

SHOULD THE POTENTIAL FOR DISRUPTION DUE TO IMPORTS FROM THE REPUBLIC OF CHINA APPEAR TO BE A PROBLEM BASED, ON OUR CONTINUED MONITORING OF MUSHROOM IMPORTS AND DOMESTIC MARKET CONDITIONS, THE U.S. GOVERNMENT INTENDS TO SEEK CONSULTATIONS WITH YOUR GOVERNMENT AND WOULD HOPE THAT SUCH CONSULTATIONS COULD BE HELD TO RESOLVE EXPEDITIOUSLY ANY PROBLEMS.

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I APPRECIATE YOUR COOPERATION IN THIS MATTER AND LOOK FORWARD TO YOUR REPLY.

SINCERELY,

ALAN WM. WOLFF
ACTING SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

DRAFT RESPONSE FROM GOVERNMENT OF REPUBLIC OF CHINA

DEAR MR. WOLFF:

I WOULD LIKE TO ASSURE YOU THAT THE REPUBLIC OF CHINA IS VERY MUCH AWARE OF YOUR CONCERN THAT IMPORTS OF CANNED MUSHROOMS FROM MY COUNTRY DO NOT DISRUPT THE MARKET FOR CANNED MUSHROOMS IN THE UNITED STATES. WE RECOGNIZE THE PROBLEM CAUSED BY THE SURGE IN IMPORTS IN THE SUMMER OF 1976 AND CAN ASSURE YOU THAT A RAPID RISE IN SUCH A BRIEF PERIOD WILL NOT RECUR. FURTHERMORE, WE ASSURE

YOU THAT OUR SALES TO THE UNITED STATES WILL NOT INCREASE FROM YEAR TO YEAR AT A RATE WHICH WOULD DISRUPT THE U.S. MARKET IN ANY WAY.

LET ME FURTHER ASSURE YOU THAT MY GOVERNMENT IS PREPARED TO CONSULT WITH YOU AT ANY TIME AND COOPERATE WITH YOU IF

PROBLEMS OF MARKET DISRUPTION SHOULD ARISE. I UNDERSTAND THAT YOU INTEND TO MONITOR IMPORTS, AND WILL CONSIDER THE COVERAGE OF ITEM 144.20 OF THE TSUS IN DETERMINING WHETHER IMPORTS ARE CAUSING DISRUPTION.

IN CLOSING, I WANT TO ASSURE YOU THAT WE INTEND TO MAINTAIN OUR MUSHROOM EXPORTS TO THE UNITED STATES THROUGH JUNE OF 1977 AT THE LEVEL AGREED WITH AMBASSADOR YEUTTER IN TAIPEI LAST SEPTEMBER.

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YOURS VERY TRULY,

11. SIGNATURE AND EXCHANGE OF LETTERS WOULD TAKE PLACE FOLLOWING PRESIDENTIAL DECISION AND DEPENDING, OF COURSE, ON THE NATURE OF THE DECISION. COPIES OF THE DRAFT LETTERS HAVE BEEN GIVEN TO THE GROE EMBASSY. CHRISTOPHE

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<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ESCAPE CLAUSE (TARIFF), MUSHROOMS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE049201
Document Source: ADS
Document Unique ID: 00
Drafter: STR:DHEIMLICH:EB/OT/STA:JSPIRO:LPP
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: D770075-1000
Format: TEL
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Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197703111/baaaevjj.tel
Line Count: 294
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 46a201b0-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
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SAS ID: 2964416
Secure: OPEN
Status: NATIVE
Subject: ESCAPE CLAUSE CASE ON CANNED MUSHROOMS
TAGS: ETRD, TW, ITC
To: TAIPEI INFO SEOUL
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/46a201b0-c288-dd11-92da-001cc4696bcc
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